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Thursday April 9, 2020

The Honorable Steven T. Mnuchin
U.S. Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220

The Honorable Jovita Carranza
Small Business Administration
409 3rd St, SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza:

I write to share some concerns I've heard from Iowans regarding the Paycheck Protection Program (PPP). As you know, the CARES Act created this program to rapidly make small business loans which are intended to be forgiven. Many of Iowa's small businesses are now approaching a month without revenue and are in desperate need of this assistance.

To start, I recognize the significant effort required to implement a new program, and I appreciate the efforts of you and your departments to do so. There have, however, been difficulties with the program, some of which continue. I am not going to focus on the issues which have been resolved, such as banks not receiving guidance until the night before the program opened, but instead will share the ongoing concerns I've heard from Iowans to bring them to your attention so that they can be resolved. We all share the goal of getting PPP loan funds out to the businesses who need them as quickly as possible.

As you know, many small businesses have been unable to get loans because banks have had trouble accessing the SBA's E-Tran system. This has been especially difficult for community banks, which play a far larger role in Iowa's banking system than most. While I appreciate the work that was put in to activate credentials to get more lenders making PPP loans, there may still be as many as 30% of community banks who cannot access E-Tran.¹ In many of Iowa's rural areas, there may only be one nearby bank, so ensuring that all banks have the ability to process PPP loans is critical to these businesses' health.

That problem is exacerbated by most banks limiting access to businesses with an existing account at the bank. While the bank's decision to limit this is due to anti-money laundering requirements, the requirement itself is causing delays in getting funds to some of the businesses that are most in need. To make matters worse, if a small business does not have an account at a bank able to process PPP loans, they may be entirely unable to get a loan.

While I am encouraged that issues with E-Tran are improving, I worry that they could resurface, and would ask you to fully consider whether there is a need for additional administrative upgrades. In addition, while there is a dedicated phone line for lenders with questions, many

¹ <https://www.politico.com/news/2020/04/07/bankers-plead-with-trump-fix-small-business-rescue-plan-173725>

borrowers need additional assistance, or are unaware of the Paycheck Protection Program entirely. The CARES Act included significant administrative funding, but I've heard constituents having difficulty with getting answers and help with the process.

At a time when many Americans are out of work, I ask that you consider whether you may be able to better help American small businesses by seeking volunteers, partnering with other groups, or rehiring people with previous experience. In addition, as you seek additional PPP funding from Congress, please evaluate whether additional funding is needed.

I am disturbed by one change made by the SBA's interim final rule. The CARES Act provided for loan forgiveness for a range of expenses including payroll, rent, and utilities. However, the rule required that at least 75% of loan forgiveness go towards payroll. This hurts businesses where rent or other costs make up a higher percentage of their expenses.

In addition, businesses will very likely apply for the maximum loan they're eligible for, which is 2.5x their average monthly payroll from last year and expect that as long as they used it for authorized purposes it will all be forgiven, as intended by Congress. However, if their payroll declined (even by a small amount), they are likely to not receive full forgiveness.

Also, the 75% threshold is too high, even assuming no changes to their payroll. Your calculation of 8 weeks (the forgiveness period)/2.5 months yielded 73.6%, yet you're requiring a higher standard on what is intended to be a flexible process. This will leave borrowers extremely frustrated, and for understandable reasons. I urge you to lower the payroll requirement as you finalize this rule.

Finally, while many small businesses have approved PPP loans, lenders still do not have sufficient guidance to actually close on loans to businesses and disburse funds to them. While I appreciate the expanded Frequently Asked Questions provided yesterday,² more clarity is needed. I urge you to provide this information quickly so that small businesses can begin receiving funds from PPP loans as soon as possible.

I appreciate your consideration of these issues and stand ready to help resolve them if I can be of any assistance.

Sincerely,



Cindy Axne
Member of Congress

² <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>